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TO: GENERAL SCOWCROFT - VAIL -

Ron Nessen-Vail

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WHITE HOUSE
SITUATION ROOM

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

August 21, 1975

MEMORANDUM FOR: RON NESSEN
FROM: MARGI VANDERHYE *JEN*
SUBJECT: State Department Announcement on
 Third Country Sanctions Imposed by
 U. S. Against Countries Trading with Cuba

Attached is a copy of the planned statement to be issued today by the State Department spokesmen at their regular noon briefing. Assistant Secretary for Latin American Affairs, Bill Rogers, will be on hand to answer additional and specific questions.

I have included for your use general Qs and As on the implications of lifting the sanctions against countries that trade with Cuba, as well as a brief background paper for your use.

From Vail you should respond to questions only on an if asked basis and refer all detailed or specific question to State.

STATEMENT BY DEPARTMENT SPOKESMAN

The Organ of Consultation of the OAS, acting under the Rio Treaty, adopted a resolution on July 29 which allows each member state to determine for itself the nature of its economic and diplomatic relations with the Government of Cuba. That action grew out of an earlier decision by the members of the OAS, on July 25, to adopt a Protocol of Amendment to the Rio Treaty which, once ratified, will lift sanctions by a simple majority vote.

In keeping with this action by the OAS, the U.S. is modifying the aspects of our Cuban denial policy which affects other countries. Effective today, August 21, 1975, it will be U.S. policy to grant licenses permitting transactions between U.S. subsidiaries and Cuba for trade in foreign-made goods when those subsidiaries are operating in countries where local law or policy favors trade with Cuba. Specific licenses will continue to be required in each case and they will remain subject to regulations concerning U.S. origin parts, components, strategic goods and technology.

In order to conform further with the OAS action, we are taking appropriate steps so that effective immediately countries which allow their ships or aircraft to carry goods to and from Cuba are not penalized by loss of U.S. bilateral assistance. We are initiating steps to modify regulations

which deny bunkering in the United States to third country ships engaged in the Cuba trade. We will also seek legislation to eliminate similar restrictions on Title I, PL 480 food sales to third countries.

August 21, 1975

LIFTING OF THIRD COUNTRY RESTRICTIONS

Q: The State Department has announced the lifting of "third country sanctions," or sanctions which the U.S. imposes against other countries that trade with Cuba. Did the President authorize this change?

A: The President discussed this matter with Secretary Kissinger. As you are aware, the OAS member countries approved last month in San Jose a resolution to end mandatory sanctions against Cuba, freeing each government to determine whether to maintain relations with Cuba in accordance with its own particular national interests. Consistent with the OAS action at San Jose, we are modifying those aspects of our Cuban denial policy which penalize other countries that trade with Cuba. The lifting of these restrictions, however, does not affect our bilateral policy and prohibition against bilateral trade with Cuba.

Q: Is the lifting of sanctions intended, at least in part, as a sign to the Cubans of our desire to improve relations?

A: The decision should be seen within the context of the Inter-American system. The OAS recently resolved that each OAS member is free to determine whether to maintain relations with Cuba in accordance with its own particular national interests. We supported the resolution. It would be inconsistent with the San Jose resolution to retain restrictions that penalize other countries exercising their freedom of choice.

Q: Then this action should not be seen as a sign of U.S. readiness to begin negotiations with Cuba aimed at normalizing relations?

A: This is not a U.S.-Cuban bilateral matter. It relates rather to U.S. relations with other countries of the world.

Q: Does the President foresee a process of normalization of relations with Cuba beginning now that sanctions are no longer required and some aspects of the U.S. sanctions (i.e., those relating to third countries) are being modified?

A: We have said that we see no advantage to permanent antagonism between ourselves and Cuba, but that change in our bilateral policies toward Cuba will depend on Cuba's attitude and policies toward us. There are a number of outstanding and complex issues between us, and I wouldn't want to speculate on when or whether it might prove possible to begin to work out these issues.

RESTRICTIONS ON TRADE WITH CUBA

Trade with Cuba has been governed by the Export Administration Regulations (Commerce) issued pursuant to the Export Administration Act of 1969 and its predecessor act, the Export Control Act of 1949, and by the Foreign Assets Control Regulations (Treasury) issued pursuant to the Trading with the Enemy Act. Section 620 (a) (1) of the Foreign Assistance Act authorizes the President to maintain a total embargo upon all trade with Cuba.

The Commerce and Treasury regulations prohibit all unlicensed transactions between U.S. firms here and abroad with Cuba. Our general policy has been not to issue licenses for any transaction except for humanitarian reasons. We have made occasional exceptions in the past for U.S. subsidiaries abroad and for shipments to foreign embassies. In addition, our third-country restrictions prohibit the bunkering of foreign-flag ships in the Cuban trade and suspend aid or PL-480, Title I sales to countries that allow their ships to carry goods to and from Cuba. Other restrictions affect foreign companies using U.S.-origin parts and components and deny to ships calling at Cuban ports the right to carry U.S. Government-financed goods out of U.S. ports (NSAM 220).

Several countries have urged us to lift our restrictions on U.S. subsidiaries trading with Cuba (particularly Canada, Argentina, Mexico, Spain and Belgium). The prohibition of aid for countries that

let their ships trade with Cuba also has been raised with us on a number of occasions, and the major shipping nations, in particular, are interested in a change in this prohibition.

----- The licensing of American banks located abroad, whether incorporated outside the U.S. or a branch office of a bank incorporated in the U.S., will remain more restrictive than the licensing of non-banking firms. U.S. bank credits come within the Foreign Assets Control regulations and will be prohibited in the same manner as direct trade between U.S. companies within the U.S. and Cuba. Banking, by its nature, involves somewhat different issues, e.g., transfer of U.S. funds.

Background on the prohibition of shipments of food and medicine

It is our policy to prohibit all bilateral commercial transactions with Cuba. We have made some exceptions in instances when food or medicines are not available outside the U.S. For example, in 1974 we approved licenses for anti-cancer drugs since they could not be purchased from non-U.S. sources. We also permit gift parcels to be sent to Cuba. These normally contain food, medicine and clothing.

Implementation of the changes

With the exception of the restriction relating to PL-480, Title I assistance, the third-country sanctions can be modified by executive action. The Secretary of State has authority to waive the suspension

of assistance (Foreign Assistance Act). The other changes can be effected by modifying current Executive regulations (Treasury and Commerce). State will be submitting new legislation to eliminate the prohibition against PL 480 Title I to countries whose ships and aircraft engage in the Cuba trade.

Bilateral sanctions remain in effect

The modification of third-country sanctions will not affect direct U.S.-Cuba trade, which continues to be prohibited. That is a separate issue which would have to be considered, along with other issues, in the context of overall U.S.-Cuban relations.